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UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

In re:

G-I HOLDINGS INC., et al.,

Debtors.

In Proceedings for Reorganization under Chapter 11

Case Nos. 01-30135 (RG) and 01-38790 (RG)
(Jointly Administered)

Hon. Rosemary Gambardella, U.S.B.J.

Hearing Date: September 25, 2007, at 11:00 a.m.

Oral Argument: Requested, if Objection

**MOTION OF G-I HOLDINGS INC. FOR AN ORDER PURSUANT TO
BANKRUPTCY RULE 9019(a) APPROVING SETTLEMENT WITH BRITTANY
INSURANCE COMPANY LTD., COMPAGNIE EUROPEENNE D'ASSURANCES
INDUSTRIELLES S.A. AND HARPER INSURANCE LTD.**

TO: THE HONORABLE ROSEMARY GAMBARDELLA
UNITED STATES BANKRUPTCY JUDGE

CREDITORS REQUESTING NOTICE AND OTHER PARTIES-IN-INTEREST

As and for its motion, pursuant to Federal Rule of Bankruptcy Procedure
("Bankruptcy Rule") 9019(a) (the "Motion"), for approval of a settlement of certain

environmental coverage claims against and distribution of proceeds from Brittany Insurance Company Ltd., Compagnie Europeenne d'Assurances Industrielles S.A. and Harper Insurance Ltd. (collectively, the "Settling London Companies"), G-I Holdings Inc., a chapter 11 debtor in possession herein ("G-I" or the "Debtor"), respectfully represents:

SUMMARY OF MOTION

1. By this Motion, G-I seeks an Order approving the Settlement Agreement and Release among G-I, International Specialty Products Inc. ("ISP"), Building Materials Corporation of America d/b/a GAF Materials Corporation ("BMCA" and, collectively with G-I and ISP, "Policyholders") and the Settling London Companies effective July 27, 2007 (the "Settlement Agreement"), with respect to the Settling London Companies' liability for defense and indemnity costs arising from Policyholders' actual and potential environmental-related liabilities at various contaminated sites located throughout the United States as more particularly described herein.

JURISDICTION

2. This Court has jurisdiction to consider this application pursuant to 28 U.S.C. §1334. Consideration of this application is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of this proceeding is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

BACKGROUND

A. The Debtor's Bankruptcy Case.

3. On January 5, 2001 (the "Commencement Date"), G-I commenced with this Court a voluntary case under chapter 11 of title 11, United States Code (the "Bankruptcy Code"). Subsequently, on August 3, 2001, ACI Inc. ("ACI"), a subsidiary of G-I, commenced its chapter 11 case. ACI's application for joint administration with G-I for administrative purposes was approved by this Court on October 10, 2001. Both G-I and ACI are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

4. No trustee or examiner has been appointed in these chapter 11 cases. On January 18, 2001, the United States Trustee appointed a statutory committee of asbestos claimants to serve in G-I's chapter 11 case. Thereafter, the United States Trustee changed the name of the statutory creditors' committee to the Official Committee of Asbestos Claimants (the "Committee").

5. On May 29, 2001, G-I filed an application for the appointment of a legal representative for the present and future holders of asbestos-related demands. By order dated September 6, 2001, the Court granted G-I's application, and thereafter the parties conferred regarding appropriate candidates. By order dated October 10, 2001, the Court appointed C. Judson Hamlin as the Legal Representative of Present and Future Holders of Asbestos Related Demands for G-I (the "Legal Demand Representative").

B. The Settling London Companies' Policies and Policyholders' Claims.

6. The Settling London Companies issued various insurance policies to Policyholders (collectively, "the Policies").¹

7. Policyholders assert that, pursuant to the Policies, the Settling London Companies must provide coverage for their defense and indemnity costs arising from over 120 allegedly contaminated sites located across the United States (the "Environmental Claim"). Each Policyholder bears responsibility, and owns the insurance coverage rights, for different environmental sites.²

C. The Coverage Action.

8. To enforce their claims for environmental defense and indemnity costs, Policyholders filed an insurance coverage action captioned *G-I Holdings Inc., et al. v. Hartford Accident and Indemnity Company, et al.*, Docket No. L-980-97 which is pending in the Superior Court of New Jersey, Law Division, Somerset County (the "Coverage Action"). The Settling London Companies are defendants in the Coverage Action.

9. In the Coverage Action, Policyholders contend that, pursuant to the Policies, the Settling London Companies must provide coverage for the defense and

¹ As defined in the Settlement Agreement, and as used herein, "Policies" means "any and all insurance policies, known or unknown, to which the Settling London Companies subscribed that provide or allegedly provide coverage or benefits to any Policyholder for Environmental Claims; *provided, however*, the term 'Policies' does not include (i) insurance policies issued by any Person that does not meet the definition of 'Settling London Companies' as of the Effective Date; and (ii) any insurance policies issued to any Person that first becomes acquired by any Policyholder, or first acquires any Policyholder, after the Effective Date."

² In connection with their 1991 corporate restructuring, the predecessors-in-interest to Policyholders allocated their environmental liabilities in general among the entities devolving from this corporate restructuring based on whether the primary waste-generator facility took part

indemnity costs at issue in the Coverage Action. The Settling London Companies dispute whether, and to what extent, the Policies afford Policyholders coverage for their claims in the Coverage Action.

D. The Settlement Agreement.³

10. Following extensive discovery in the Coverage Action and protracted negotiations, Policyholders and the Settling London Companies (collectively, the “Parties”) have entered into the Settlement Agreement which, subject to approval of this Court, fully and finally compromises and resolves the Coverage Action and other disputes among Policyholders and the Settling London Companies. Consummation of the transactions described in the Settlement Agreement is conditioned upon a final order (the “Final Order”) of the Bankruptcy Court approving the Settlement Agreement (the “Approval Order”).

11. Pursuant to the Settlement Agreement, to settle the outstanding disputes, the Settling London Companies agreed to place a specified amount (the “Settlement Amount”)⁴ into an interest bearing Escrow Account⁵ within thirty (30) days

in the manufacture, distribution and sale of building materials or of chemical products or was a discontinued operation. This allocation continued in all subsequent corporate restructurings.

³ This summary of the Settlement Agreement is provided for the convenience of the Court and the parties-in-interest herein, but is qualified in its entirety by the terms of the Settlement Agreement. Capitalized terms used in this summary shall have the meanings attributed to them in the Settlement Agreement.

⁴ Because the Settlement Amount could impact the Debtor’s other claims in the Coverage Action, as well as its alleged liability to various governmental and other potentially responsible parties (“PRPs”), the Debtor has not included the specific amount in this Motion. Instead, the Debtor has agreed to provide this information and the Settlement Agreement to the Committee and the Legal Representative subject to an appropriate confidentiality agreement. The Debtor is prepared to file the details with the Bankruptcy Court under seal and to provide them to the other interested parties (other than the remaining defendants in the Coverage Action, governmental entities asserting environmental claims, and co-liable PRPs at the environmental sites) subject to an appropriate confidentiality agreement to the extent necessary to adjudicate the Motion. The Debtor would file those details with the Bankruptcy Court under seal in accordance with the Order Pursuant to 11 U.S.C. § 107(b) and Fed. R. Bankr. P. 9018

following the date of execution of the Settlement Agreement (the “Effective Date”). The Settlement Agreement further provides that, upon the Bankruptcy Court’s entry of the Approval Order, and upon the Approval Order being a Final Order, the Escrow Agent will release the Settlement Amount, plus accrued interest, to Policyholders.

12. The Settlement Agreement also provides for comprehensive mutual releases by, and among, the Settling London Companies and Policyholders, with respect to past, present or future Environmental Claim, whether known or unknown (the “Releases”). The Settlement Agreement excludes from the Releases: (i) the rights, benefits and obligations of any other subscriber to the Policies and Policyholders’ coverage claims, under the Policies, against these other subscribers to the Policies, (ii) any reinsurance claim that the Settling London Companies have made or may make in the future as to any reinsurer and (iii) certain rights directly asserted by the State of Minnesota.

13. The Settlement Agreement further provides that within five (5) business days after the Effective Date, the Parties shall submit to the Coverage Court an Order which dismisses, without prejudice, all Claims the Parties made against and among each other in the Coverage Action, and which tolls all applicable statutes of limitation and other time-based defenses until the date the Approval Order is a Final Order.

E. The Allocation of the Settlement Amount.

14. Due to the complexity of allocating environmental claims, Policyholders retained a consultant, Mr. Stephen Sellick, to assist in presenting their

Authorizing G-I Holdings Inc. to File Documents Under Seal (the “Seal Order”), entered by the Bankruptcy Court on October 2, 2006.

claims to the Settling London Companies. Mr. Sellick acts as Managing Director of the environment and insurance claims practice at LECG, LLC. Mr. Sellick specializes in the management of complex quantitative analysis in litigation matters, particularly matters involving environmental liability claims. Mr. Sellick's experience includes the development and analysis of insurance allocation methodologies using computer-based models for the allocation of multi-year losses to multi-year policy programs.

15. In assisting Policyholders with quantifying their claims under the Policies, Mr. Sellick, at the direction of outside counsel for Policyholders, McCarter & English, performed an allocation analysis involving Policyholders' triggered insurance policies, including Policyholders' claims under the Policies (the "Allocation Analysis").⁶ Mr. Sellick's Allocation Analysis determined that only three (3) sites reach the Settling London Companies' excess coverage: the Linden site in New Jersey, the LCP site in New Jersey, and the Picillo site in Rhode Island. Based on the allocation of environmental liabilities in the 1991 and subsequent corporate restructurings, ISP bears responsibility for the environmental cleanup costs, has paid

⁵ The Parties have opened an interest bearing escrow account.

⁶ The Coverage Action involves not only the Policies issued by the Settling London Companies, but numerous other policies issued by other insurers. Policyholders continue to litigate and attempt to settle their claims under these other policies, some of which provide "excess" coverage for the exact same claims. As a result, the Allocation Analysis remains confidential. To provide this analysis without confidential treatment would impact the Debtor's position and settlement discussions in the ongoing Coverage Action, as well as its alleged liability to governmental entities asserting environmental claims and other potentially-responsible parties ("PRP"). As a result, as with the Settlement Agreement as referenced in n.4, the Debtor has not filed this analysis with the Motion. Instead, the Debtor has agreed to provide relevant portions of the analysis to the Committee and the Legal Representative subject to an appropriate confidentiality agreement. The Debtor is prepared to file the relevant portions of the analysis with the Bankruptcy Court under seal pursuant to the Seal Order and to provide them to other interested parties (other than the defendants in the Coverage Action, governmental entities asserting environmental claims, and co-liable PRPs at the environmental sites) subject to an appropriate confidentiality agreement to the extent necessary to adjudicate the Motion.

environmental cleanup costs, and owns the insurance coverage rights for each of these sites (hereinafter, the “ISP Subject Sites”).⁷

16. Mr. Sellick’s Allocation Analysis (*see* n.6 *supra*) confirms that estimated costs and liabilities arising from the Debtor and BMCA sites implicate none of the Settling London Companies’ coverage. The analysis demonstrates that the Debtor and BMCA must incur, in most cases, millions of dollars in future additional costs before these sites can implicate the Settling London Companies’ coverage. The past costs and future estimated liability risks at the Debtor and BMCA sites were not large enough to reach the Settling London Companies’ coverage.

17. As a result, Policyholders’ settlement with the Settling London Companies includes no consideration for environmental damages or costs incurred at sites for which the Debtor and BMCA bear responsibility for the environmental cleanup.

18. Mr. Sellick’s Allocation Analysis provides part of the basis for the Settlement Agreement. Policyholders also used the Allocation Analysis in allocating the recoveries in the Coverage Action, including the Settlement Amount, among Policyholders. As a result, giving effect to the various corporate restructurings (*see* n.2 *supra*), Policyholders have allocated the Settlement Amount 100% to ISP.

F. The Risks of Not Pursuing the Settlement.

19. Given the numerous sites and policies at issue in the Coverage Action, Policyholders faced substantial risks in pursuing, rather than settling, the

⁷ In fact, the allocation of the Picillo Site to ISP already has been recognized by the Bankruptcy Court in its Order Authorizing G-I Holdings Inc. to Assume and Assign Certain Environmental Agreements to ISP Environmental Services, Inc. Pursuant to 11 U.S.C. § 365 and for Related Relief which was entered on May 29, 2003.

litigation. For example, the Settling London Companies argued that for some substantial sites, among other things, there was no coverage at all because Policyholders intended or expected the contamination. Also, many of the sites at issue involved significant future liabilities which may be difficult to establish.

20. Beyond this, completing the litigation against the Settling London Companies would cause Policyholders to incur substantial additional costs and to suffer significant delays. Due to its complexity, the Coverage Action will have to proceed in stages and could take several more years to complete. Litigating with the Settling London Companies and the various other parties will be complicated and will cause Policyholders to incur substantial additional fees and costs. By removing the Settling London Companies from the litigation, Policyholders can focus on the remaining parties.

21. Given the uncertainties presented by the adjudication process, Policyholders made a reasoned decision to enter into the Settlement Agreement with the Settling London Companies.

RELIEF REQUESTED AND BASIS THEREFOR

22. By this Motion, G-I seeks an order pursuant to Bankruptcy Rule 9019(a) (i) approving the terms of the Settlement Agreement, (ii) authorizing and approving the settlement transactions, including, but not limited to the compromises, settlements and releases set forth therein, and (iii) approving Policyholders' allocation of the Settlement Amount.

- A. The Settlement Agreement is Fair and Equitable, is in the Best Interests of G-I's Estate, Represents G-I's Sound Business Judgment and Should be Approved by the Court Pursuant to Bankruptcy Rule 9019.

23. Bankruptcy Rule 9019(a) provides "[o]n motion by the trustee and after notice and a hearing, the court may approve a compromise or settlement." Fed. R. Bankr. P. 9019(a). In ruling on a motion pursuant to Bankruptcy Rule 9019(a), the court must find the proposed settlement fair and equitable and in the best interests of the debtor's estate. *See Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 424 (1968); *In re Heldor Indus., Inc.*, 131 B.R. 290 (D.N.J. 1992), *rev'd and vacated sub nom., State of N.J. Dept. of Environment Protection and Energy v. Heldor Indus., Inc.*, 989 F.2d 702 (3d Cir. 1993); *Fischer v. Pereira (In re 47-49 Charles Street Inc.)*, 209 B.R. 618, 620 (S.D.N.Y. 1997). To do so, the court should examine the settlement and determine whether it "falls below the lowest point in the range of reasonableness." *Cosoff v. Rodman (In re W.T. Grant Co.)*, 699 F.2d 599, 608 (2d Cir. 1983). In determining whether a particular settlement falls within the "range of reasonableness," courts in the Third Circuit consider the following four factors: "(1) the probability of success in litigation; (2) the likely difficulties in collection; (3) the complexity of the litigation involved, and the expense, inconvenience

and delay necessarily attending it; and (4) the paramount interest of the creditors.” *In re Martin*, 91 F.3d 389, 393 (3d Cir. 1996).

24. Here, G-I submits that Policyholders’ settlement with the Settling London Companies is fair and equitable and falls within the range of reasonableness. In determining to compromise and settle its claims against the Settling London Companies, G-I has reviewed and considered all the factors pertinent to the approval of a compromise and settlement.

25. After careful and expert analysis, G-I has determined that none of the past costs and future liability risks relating to the G-I and BMCA sites reaches the Settling London Companies’ coverage. In fact, G-I and BMCA would have to incur, in most cases, millions of dollars in unanticipated additional costs before the sites for which G-I and BMCA bear responsibility reach the Settling London Companies’ coverage. Therefore, it is undisputed that G-I and BMCA do not have any insurance coverage rights against the Settling London Companies for their sites. In addition, G-I believes that pursuing their claims against the Settling London Companies through the Coverage Action would necessitate substantial expense for G-I and, importantly, as determined by G-I’s own thorough analysis of insurance coverage at the implicated sites, would yield no return for G-I. Moreover, there are substantial risks in pursuing a contested adjudication of any claims it could assert.

26. G-I believes that the terms and conditions of the Settlement Agreement are fair and reasonable in light of the costs and potential risks associated with continued litigation of the Coverage Action with the Settling London Companies. There is an ongoing dispute between the Parties regarding their respective rights and

obligations with respect to insurance coverage under the Policies. To resolve this dispute, the Settlement Agreement was negotiated and proposed, and has been entered into by the Parties, in good faith, from arms-length bargaining positions, and without fraud or collusion.

27. The Coverage Action involves many complex questions of law and fact. Policyholders' probability of success in the Coverage Litigation is uncertain. The Settling London Companies have argued that Policyholders cannot recover at some substantial sites. There are also numerous legal issues which could be resolved against Policyholders. In addition, litigation of the Coverage Action against the Settling London Companies is costly and G-I has been forced to allocate substantial resources to its resolution.

28. Moreover, G-I believes that this Settlement Agreement provides a significant value to G-I's bankruptcy estate and its creditors. The Settlement Agreement provides for the Settlement Amount to be paid to Policyholders by the Escrow Agent shortly after the Court's approval of this Motion becomes a Final Order. Further, G-I will no longer allocate resources to resolving the Coverage Action with the Settling London Companies, saving the estate money in prosecuting the Coverage Action as to the Settling London Companies. While the maximum recovery from the Settling London Companies could be greater than the Settlement Amount, the recovery could also be substantially less given the litigation risks.

29. In addition, G-I believes that the allocation of the Settlement Amount among Policyholders is fair and reasonable. As noted above (*see* n.2 *supra*), the various corporate restructurings allocated Policyholders' environmental liabilities

and insurance coverage rights based on the status of the primary waste-generator facility. The Settlement Amount satisfies claims arising from Policyholders' various past and future indemnity costs. Based on Mr. Sellick's analysis and allocation of the claims among the sites and consistent with the allocation of the liabilities in the restructurings, Policyholders have allocated 100% of the Settlement Amount to ISP.

30. Thus, G-I respectfully requests that the Bankruptcy Court approve the Settlement Agreement, thereby authorizing and directing Policyholders to effectuate the Settlement Agreement and any and all related transactions.

31. For the foregoing reasons, G-I submits that its business decision to resolve the claims with respect to the Settling London Companies' liability related to the defense and indemnity costs asserted in the Coverage Action is fair and reasonable, is in the best interest of its creditors and its estate, and represents G-I's sound business judgment. Accordingly, G-I respectfully requests that the Bankruptcy Court approve G-I's decision to settle the claims against the Settling London Companies, thereby authorizing and directing the Escrow Agent to distribute the Settlement Amount to ISP on account of its payments, liabilities and insurance recovery rights related to the ISP Subject Sites.

WAIVER OF MEMORANDUM OF LAW

32. Pursuant to D.N.J. LBR 9013-2, G-I respectfully requests that the Court waive the requirement that it file a memorandum of law in support of this Application. No memorandum of law is necessary because no novel issues of law are presented herein.

NOTICE

33. G-I has served notice of this Motion on (i) the Office of the United States Trustee for the District of New Jersey, (ii) the Official Committee of Asbestos Claimants, (iii) the Legal Demand Representative, (iv) the Settling London Companies, (vi) BMCA, (vii) ISP, and (viii) all other parties that have filed a notice of appearance in this case. G-I submits that, given the nature of the relief requested, no other or further notice need be given.

WHEREFORE, G-I respectfully requests that the Court approve its settlement with the Settling London Companies, ISP and BMCA and grant G-I such other and further relief as may be just.

Dated: September 5, 2007
Morristown, New Jersey

RIKER, DANZIG, SCHERER, HYLAND
& PERRETTI LLP

By: /s/ Dennis J. O'Grady
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UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY

In re:

G-I HOLDINGS INC., et al.,

Debtors.

Chapter 11

Case No. 01-30135 (RG) and
01-38790 (RG) (Jointly Administered)

Hon. Rosemary Gambardella, Chief
U.S.B.J.

**AFFIDAVIT OF GARY N. WILCOX IN SUPPORT OF DEBTOR'S
MOTION FOR APPROVAL OF SETTLEMENT WITH BRITTANY
INSURANCE COMPANY LTD., COMPAGNIE EUROPEENNE
D'ASSURANCES INDUSTRIELLES S.A. AND HARPER
INSURANCE LTD.**

STATE OF NEW JERSEY)
)
COUNTY OF ESSEX)

Gary N. Wilcox, being duly sworn, deposes and says:

1. I am an attorney at law of the State of New Jersey, and I am a member of the firm of McCarter & English, LLP, which is Special Counsel for G-I Holdings Inc.

which, along with ACI, Inc., is a debtor and debtor-in-possession herein (“G-I” or the “Debtor”). I make this Affidavit in support of Debtor’s motion for approval of a settlement with Brittany Insurance Company Ltd., Compagnie Europeenne d’Assurances Industrielles S.A. and Harper Insurance Ltd. (collectively, the “Settling London Companies”). I am fully familiar with the facts set forth herein.

2. McCarter & English represents G-I, International Specialty Products Inc. (“ISP”) and Building Materials Corporation of America d/b/a GAF Materials Corporation (“BMCA”) (collectively, “Policyholders”) in an insurance coverage action captioned *G-I Holdings Inc. et al. v. Hartford Accident and Indemnity Company et. al.*, Docket No. L-980-97, Superior Court of New Jersey, Law Division, Somerset County (“Environmental Coverage Action”).

3. After substantial discovery in the Environmental Coverage Action and arms’-length negotiations, the Policyholders and the Settling London Companies reached a settlement agreement effective July 27, 2007 (the “Settlement Agreement”), pursuant to which the Settling London Companies deposited an agreed amount into escrow and were dismissed from the Environmental Coverage Action without prejudice pending approval of the Settlement Agreement by G-I’s bankruptcy court.

The Environmental Coverage Action.

4. Policyholders filed the Environmental Coverage Action to secure insurance coverage for defense and indemnity costs arising from over 120 allegedly contaminated sites located across the United States (“Environmental Sites”). Each Policyholder bears responsibility, and owns the insurance coverage rights, for different Sites at issue in the Environmental Coverage Action. Policyholders’ excess insurance

policies provide separate liability limits (*i.e.*, "per occurrence limits," but not "aggregate limits") for each of the Environmental Sites.

5. Through the Environmental Coverage Action, Policyholders seek coverage under insurance policies sold by, among other insurers, Certain Underwriters at Lloyds, London and Certain London Market Insurance Companies (collectively, "London Market Insurers"). A number of London Market Insurers subscribed to the insurance policies sold to Policyholders, including the Settling London Companies.

A. The Settling London Companies' Policies and Policyholders' Claims.

6. The Settling London Companies subscribed to various insurance policies issued to Policyholders (collectively, "the Policies").¹

7. In the Environmental Coverage Action, Policyholders assert that, pursuant to the Policies, the Settling London Companies must provide coverage for their defense and indemnity costs arising from the Environmental Sites.

B. The Allocation of the Coverage

8. The Settling London Companies subscribed to London Market Policies which sit "excess" of substantial underlying coverage. Only a few of the Environmental Sites implicate the Settling London Companies.

9. Due to the complexity of allocating environmental claims among primary and excess insurers, Policyholders retained a consultant, Mr. Stephen Sellick, to assist

¹ As defined in the Settlement Agreement, and as used herein, "Policies" means "any and all insurance policies, known or unknown, to which the Settling London Companies subscribed that provide or allegedly provide coverage or benefits to any Policyholder for Environmental Claims; *provided, however*, the term 'Policies' does not include (i) insurance policies issued by any Person that does not meet the definition of 'Settling London Companies' as of the Effective Date; and (ii) any insurance policies issued to any Person that first becomes acquired by any Policyholder, or first acquires any Policyholder, after the Effective Date."

in presenting their claims to the Settling London Companies. Mr. Sellick, formerly with LECG, LLC and now with Gnarus Advisors LLC, specializes in the management of complex quantitative analysis in litigation matters, particularly matters involving environmental liability claims. Mr. Sellick's experience includes the development and analysis of insurance allocation methodologies using computer-based models for the allocation of multi-year losses to multi-year policy programs.

10. In assisting Policyholders with quantifying their claims under the London Market Policies subscribed to by the Settling London Companies, Mr. Sellick, at the direction of McCarter & English, performed an allocation analysis involving Policyholders' triggered insurance policies, including the London Market Policies to which the Settling London Companies subscribed (the "Allocation Analysis"). Mr. Sellick's Allocation Analysis determined that only three (3) Environmental Sites reach the Settling London Companies' excess coverage policies: the Linden site in New Jersey, the LCP site in New Jersey, and the Picillo site in Rhode Island. Based on the allocation of environmental liabilities among the three Policyholders, ISP bears responsibility for the environmental cleanup costs, has paid environmental cleanup costs, and owns the insurance coverage rights for each of these Sites (hereinafter, "ISP Subject Sites").

11. Mr. Sellick's Allocation Analysis confirms that estimated costs and liabilities arising from the Debtor and BMCA Environmental Sites implicate none of the excess London Market Policies to which the Settling London Companies subscribed. The analysis demonstrates that Debtor and BMCA must incur, in most cases, millions of dollars in future additional costs before these Sites can implicate the Settling London Companies' excess coverage. The past costs and future estimated liability risks at the

Debtor and BMCA Environmental Sites are not large enough to reach the Settling London Companies' excess coverage policies.

12. As a result, Policyholders' settlement with the Settling London Companies includes no consideration for environmental damages or costs incurred at Environmental Sites for which the Debtor and BMCA bear responsibility for the environmental cleanup.

C. The Risks of Not Pursuing the Settlement.

13. Given the numerous sites and policies at issue in the Environmental Coverage Action, Policyholders faced substantial risks in pursuing, rather than settling, the litigation. For example, the Settling London Companies argued that for some substantial Environmental Sites, among other things, no coverage at all exists because Policyholders intended or expected the contamination. Also, many of the Sites involve significant future liabilities which may prove difficult to establish.

14. Beyond this, completing the litigation against the Settling London Companies would cause Policyholders to incur additional costs and to suffer additional delays. Due to its complexity, the Environmental Coverage Action will have to proceed in stages and could take several more years to complete. Litigating with the Settling London Companies and the various other parties will be complicated and will cause Policyholders to incur substantial additional fees and costs. By removing the Settling London Companies from the litigation, Policyholders can focus on the remaining parties.

15. Pursuant to 28 U.S.C. § 1746, I swear under penalty of perjury that the foregoing is true and correct.

/s/ Gary N. Wilcox

Gary N. Wilcox (GW 8974)

Executed on December 18, 2007

Subscribed and sworn to before me
This 18th day of December, 2007.

/s/ Roseanne T. Glaser

Notary Public

Notary Public of New Jersey
Commission Expires 8/25/2009

3817981.1

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

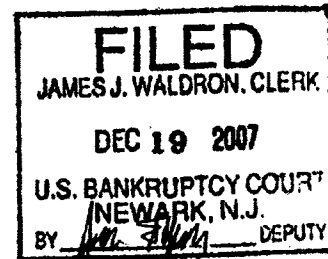
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In re:

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In Proceedings for Reorganization under Chapter 11

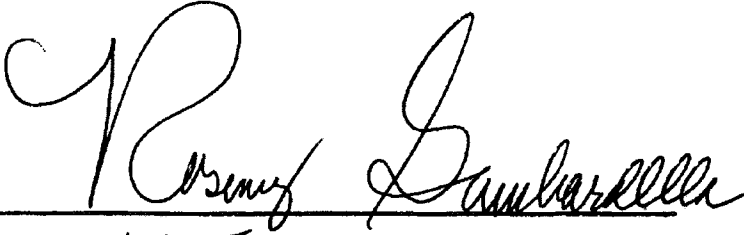
Hon. Rosemary Gambardella, U.S.B.J.

Case Nos. 01-30135 (RG) and 01-38790 (RG)
(Jointly Administered)

**ORDER PURSUANT TO BANKRUPTCY RULE 9019(a)
APPROVING SETTLEMENT WITH BRITTANY INSURANCE COMPANY LTD.,
COMPAGNIE EUROPEENNE D'ASSURANCES INDUSTRIELLES S.A.
AND HARPER INSURANCE LTD.**

Based upon the record in this matter, the relief set forth in paragraphs 1 to 6 on the following pages, numbered two (2) through three (3), is hereby **ORDERED**.

12-19-07


USBJ

In re: G-I Holdings Inc., et al., Bankr. Nos. 01-30135 (RG) and 01-38790 (RG) (Jointly Administered)

ORDER PURSUANT TO BANKRUPTCY RULE 9019(a) APPROVING SETTLEMENT WITH BRITTANY INSURANCE COMPANY LTD., COMPAGNIE EUROPEENNE D'ASSURANCES INDUSTRIELLES S.A. AND HARPER INSURANCE LTD.

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THIS MATTER having been opened to the Court by Riker, Danzig, Scherer, Hyland & Perretti LLP and Weil, Gotshal & Manges LLP, co-counsel to the debtors and debtors-in-possession herein, G-I Holdings Inc. and ACI, Inc. (together, the "Debtors"), upon the Motion of G-I Holdings Inc. for an Order Pursuant to Bankruptcy Rule 9019(a) Approving Settlement with Brittany Insurance Company Ltd., Compagnie Europeenne d'Assurances Industrielles S.A. and Harper Insurance Ltd. submitted on September 5, 2007 (the "9019 Motion"); and the Court having reviewed the 9019 Motion; and it appearing that:

(i) G-I, International Specialty Products Inc. ("ISP") and Building Materials Corporation of America ("BMCA") are policyholders (collectively, the "Policyholders") under various policies of liability insurance (the "Policies"), subscribed by certain insurers, Brittany Insurance Company Ltd., Compagnie Europeenne d'Assurances Industrielles S.A. and Harper Insurance Ltd. (together, the "Settling London Companies");

(ii) the Policyholders have incurred certain actual and/or potential environmental-related liabilities at various sites around the United States;

(iii) the Settling London Companies and the Policyholders dispute the availability of coverage and the scope and extent of any obligations the Settling London Companies may have with respect to certain Policyholders' environmental-related liabilities (the "Coverage Dispute");

(iv) the Coverage Dispute is the subject of a civil action filed by Policyholders against the Settling London Companies and other insurers in the Superior Court of New Jersey, Law Division, Somerset County (the "Coverage Court"), captioned *G-I Holdings Inc. et al. v. Hartford Accident and Indemnity Company et al.*, Docket No. L-980-97 (the "Coverage Action");

In re: G-I Holdings Inc., et al., Bankr. Nos. 01-30135 (RG) and 01-38790 (RG) (Jointly Administered)

ORDER PURSUANT TO BANKRUPTCY RULE 9019(a) APPROVING SETTLEMENT WITH BRITTANY INSURANCE COMPANY LTD., COMPAGNIE EUROPEENNE D'ASSURANCES INDUSTRIELLES S.A. AND HARPER INSURANCE LTD.

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(v) based on the facts set forth in the 9019 Motion, the proposed allowed amount under the Policies in the Coverage Action (a) is fair and is above the lowest point in the range of reasonableness, (b) was negotiated in good faith and at arms-length, and (c) is in the best interest of the Debtor's bankruptcy estate;

and for good cause shown,

THE COURT ORDERS THAT:

1. The 9019 Motion be, and hereby is, APPROVED.
2. G-I be, and hereby is, AUTHORIZED to execute any documents necessary to resolve the Claims and release the Settlement Amount (as defined in the 9019 Motion).
3. The Escrow Agent (as defined in the 9019 Motion) be, and hereby is, AUTHORIZED and DIRECTED to release to ISP any and all payments received from the Settling London Companies to the Escrow Account (as defined in the 9019 Motion).
4. The Settling London Companies be, and hereby are, AUTHORIZED and DIRECTED to make any further distribution on account of the Claims directly to ISP.
5. The Debtors' counsel be, and hereby is, DIRECTED to serve a true copy of this Order upon the United States, their counsel, if any, the Office of the United States Trustee and the Core Service List within seven (7) days after its receipt of an entered copy of this Order.
6. This Order incorporates the Stipulation and Consent Order Regarding Motion of G-I Holdings Inc. for an Order Pursuant to Bankruptcy Rule 9019(a) Approving Settlement with Brittany Insurance Ltd., Compagnie Europeenne d' Assurances Industrielles S.A. and Harper Insurance Ltd., entered by the Court on December 19, 2007.

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UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

RIKER, DANZIG, SCHERER, HYLAND & PERRETTI LLP
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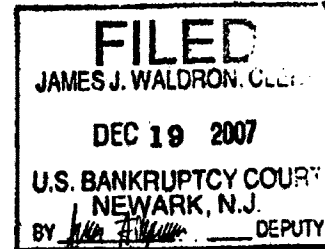
-and-

WEIL, GOTSHAL & MANGES LLP
Martin J. Bienenstock, Esq. (MB NY-3001)
767 Fifth Avenue
New York, New York 10153
Co-Counsel to the Debtors and Building Materials Corporation of
America

In re:

G-I HOLDINGS INC., et al.,

Debtors.




In Proceedings for Reorganization Under Chapter 11

Hon. Rosemary Gambardella, U.S.B.J.

Case Nos. 01-30135 (RG) and 01-38790 (RG)
(Jointly Administered)

**STIPULATION AND CONSENT ORDER REGARDING MOTION OF G-I HOLDINGS
INC. FOR AN ORDER PURSUANT TO BANKRUPTCY RULE 9019(A) APPROVING
SETTLEMENT WITH BRITTANY INSURANCE LTD., COMPAGNIE EUROPEENNE D'
ASSURANCES INDUSTRIELLES S.A. AND HARPER INSURANCE LTD.**

The relief set forth on the following pages, numbered two (2) through five (5), is
hereby **ORDERED**.

12-19-07 
USBJ

In re G-I Holdings Inc., et al., Bankr. Nos. 01-30135 (RG) and 01-38790 (RG) (Jointly Administered)

STIPULATION AND CONSENT ORDER REGARDING MOTION OF G-I HOLDINGS INC. FOR AN ORDER PURSUANT TO BANKRUPTCY RULE 9019(A) APPROVING SETTLEMENT WITH BRITTANY INSURANCE LTD., COMPAGNIE EUROPEENNE D' ASSURANCES INDUSTRIELLES S.A. AND HARPER INSURANCE LTD.

WHEREAS, the Motion of G-I Holdings Inc. for an Order Pursuant to Bankruptcy Rule 9019(a) Approving Settlement with Brittany Insurance Company Ltd., Compagnie Europeenne d' Assurances Industrielles S.A. and Harper Insurance Ltd. was filed with the Court by Riker, Danzig, Scherer, Hyland & Perretti LLP and Weil, Gotshal & Manges LLP, co-counsel to the debtors and debtors-in-possession herein, G-I Holdings Inc. ("G-I") and ACI, Inc. ("ACI" and together with G-I, the "Debtors") on September 5, 2007 (the "9019 Motion"); and

WHEREAS, the Official Committee of Asbestos Claimants (the "Committee") and the Legal Representative of Present and Future Holders of Asbestos-Related Demands (the "Legal Representative") requested information related to the 9019 Motion; and

WHEREAS, thereafter, on various dates, G-I provided the Committee and the Legal Representative with documents that G-I designated confidential related to the 9019 Motion pursuant to the Confidentiality Agreements¹ and made itself available to answer any questions regarding the 9019 Motion or the related documents provided by G-I; and

WHEREAS, on March 5, 2007, G-I, its parent company, G Holdings, Inc., the Committee and the Legal Representative (collectively, the "Parties") participated in a mediation; and

WHEREAS, following the mediation, the Parties outlined the principal terms of a potential global settlement of their outstanding disputes in these chapter 11 cases and agreed to

¹ All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Stipulation and Consent Order Regarding Motions of G-I Holdings Inc. for Orders Pursuant to Bankruptcy Rule 9019(a) Approving Settlements with KWELM, Bermuda Fire & Marine Insurance Company Limited, and Bryanston Insurance Company and Motion of G-I Holdings Inc. Pursuant to Bankruptcy Rule 9019(a) and Bankruptcy Code § 363 for an Order Approving Settlement Agreement and Authorizing the Sale of Insurance Policies Free and Clear of Liens, Claims, Interests and Other Encumbrances, entered by the Court on July 11, 2007.

In re G-I Holdings Inc., et al., Bankr. Nos. 01-30135 (RG) and 01-38790 (RG) (Jointly Administered)

STIPULATION AND CONSENT ORDER REGARDING MOTION OF G-I HOLDINGS INC. FOR AN ORDER PURSUANT TO BANKRUPTCY RULE 9019(A) APPROVING SETTLEMENT WITH BRITTANY INSURANCE LTD., COMPAGNIE EUROPEENNE D' ASSURANCES INDUSTRIELLES S.A. AND HARPER INSURANCE LTD.

endeavor to complete the global settlement with comprehensive documentation in the form of a proposed chapter 11 plan and its ancillary documents; and

WHEREAS, during the remaining negotiations and pending final documentation of a global settlement, the Parties agreed to a stay of litigation pending before the Court and other courts to avoid the incurrence of additional expenses on litigation that would be eliminated if the global settlement is effectuated; and

WHEREAS, on March 22, 2007, the Court entered the Order Staying Certain Contested Matters and Adversary Proceedings, recognizing the Parties' potential global settlement and staying certain contested matters and adversary proceedings (the "Consensual Stay"); and

WHEREAS, after review and consideration of the 9019 Motion and the documents produced by G-I pursuant to the Confidentiality Agreements, the Committee and the Legal Representative determined that there is no basis to object to the reasonableness of the 9019 Motion, other than potentially with respect to the allocation of proceeds from the 9019 Motion among G-I, International Specialty Products Inc. ("ISP") and Building Materials Corporation of America ("BMCA"); and

WHEREAS, in view of the potential global settlement among the Parties, G-I, the Committee and the Legal Representative agreed that it was preferable to proceed with the 9019 Motion, and preserve any potential claim of the Committee or the Legal Representative as to allocation of the proceeds pending confirmation of a consensual plan of reorganization incorporating the global settlement terms.

In re G-I Holdings Inc., et al., Bankr. Nos. 01-30135 (RG) and 01-38790 (RG) (Jointly Administered)

STIPULATION AND CONSENT ORDER REGARDING MOTION OF G-I HOLDINGS INC. FOR AN ORDER PURSUANT TO BANKRUPTCY RULE 9019(A) APPROVING SETTLEMENT WITH BRITTANY INSURANCE LTD., COMPAGNIE EUROPEENNE D' ASSURANCES INDUSTRIELLES S.A. AND HARPER INSURANCE LTD.

IT IS hereby STIPULATED, ORDERED and DIRECTED as follows:

1. The Committee and the Legal Representative shall not object to and shall support the entry of an order approving the 9019 Motion.

2. Notwithstanding the above or the entry of an order approving the 9019 Motion, if the Consensual Stay is terminated prior to confirmation of a consensual plan of reorganization incorporating the global settlement terms, then the Committee's and the Legal Representative's rights and claims to the appropriate allocation of proceeds with respect to the 9019 Motion among G-I, ISP and BMCA are reserved. In that event, the Committee and the Legal Representative may assert these rights by motion in the Bankruptcy Court. G-I, ISP and BMCA hereby consent to jurisdiction for such a motion and waive any defenses based upon standing, statute of limitations and laches arising after the date of this Stipulation.

3. If a consensual plan of reorganization incorporating the global settlement terms is confirmed, then, on the Effective Date of that plan of reorganization, the Committee and the Legal Representative shall forfeit the rights and claims preserved herein to challenge the allocation of proceeds from the 9019 Motion among G-I, ISP and BMCA.

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In re G-I Holdings Inc., et al., Bankr. Nos. 01-30135 (RG) and 01-38790 (RG) (Jointly Administered)

STIPULATION AND CONSENT ORDER REGARDING MOTION OF G-I HOLDINGS INC. FOR AN ORDER PURSUANT TO BANKRUPTCY RULE 9019(A) APPROVING SETTLEMENT WITH BRITTANY INSURANCE LTD., COMPAGNIE EUROPEENNE D' ASSURANCES INDUSTRIELLES S.A. AND HARPER INSURANCE LTD.

4. G-I's counsel be, and hereby is, DIRECTED to serve a true copy of this Order upon the Core Service List, the 2002(g) Service List, and counsel for the insurers related to the 9019 Motion within seven (7) days after its receipt of an entered copy of this Order.

RIKER, DANZIG, SCHERER, HYLAND &
PERRETTI LLP
Co-Counsel to the Debtors and Building
Materials Corporation of America

LOWENSTEIN SANDLER, PC
Co-Counsel to the Official Committee of
Asbestos Claimants

By: /s/ Dennis J. O'Grady
Dennis J. O'Grady (DO 7430)

By: /s/ Michael D. Lichtenstein
Michael D. Lichtenstein (ML 1597)

Dated: December 13, 2007

Dated: December 13, 2007

SAIBER SCHLESINGER SATZ &
GOLDSTEIN, LLC
Co-Counsel the Legal Representative of
Present and Future Holders of Asbestos-
Related Demands

INTERNATIONAL SPECIALTY
PRODUCTS INC.

By: /s/ Gregory J. Ruffing
Gregory J. Ruffing
Assistant Secretary

By: /s/ Nancy A. Washington
Nancy A. Washington (NW 4350)

Dated: December 13, 2007

Dated: December 13, 2007

-and-

KEATING MUETHING & KLEKAMP PLL
Kevin E. Irwin (KI 3828)
Michael L. Scheier (MS 9173)
Co-Counsel to the Legal Representative of
Present and Future Holders of Asbestos-
Related Demands

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